

**INSPIRED TEACHING DEMONSTRATION  
PUBLIC CHARTER SCHOOL**

**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT**

**JUNE 30, 2021 AND 2020**

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## Independent Auditor's Report

To the Board of Directors  
Inspired Teaching Demonstration Public Charter School  
Washington, DC

We have audited the accompanying financial statements of Inspired Teaching Demonstration Public Charter School (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Inspired Teaching Demonstration Public Charter School as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2021, on our consideration of Inspired Teaching Demonstration Public Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Inspired Teaching Demonstration Public Charter School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Inspired Teaching Demonstration Public Charter School's internal control over financial reporting and compliance.

## **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplementary schedule of vendor contracts awarded equal to and/or over \$25,000 on page 21 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.



Washington, DC  
November 29, 2021

**INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2021 AND 2020**

	2021	2020
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 6,369,931	\$ 5,518,314
Grants receivable	487,128	53,028
Accounts receivable	10,922	128,479
Prepaid expenses	73,723	59,950
Total Current Assets	6,941,704	5,759,771
<b>PROPERTY AND EQUIPMENT, NET</b>	2,158,896	1,678,247
<b>OTHER ASSETS</b>		
Deposits	5,000	5,000
Total Other Assets	5,000	5,000
<b>TOTAL ASSETS</b>	\$ 9,105,600	\$ 7,443,018
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 91,073	\$ 947,770
Accrued salaries and expenses	394,132	350,795
Accrued interest	4,181	-
Deferred revenue	-	14,430
Capital lease obligation, current portion	28,806	27,403
Total Current Liabilities	518,192	1,340,398
<b>LONG-TERM LIABILITIES</b>		
Note payable	1,729,136	-
Capital lease obligation, net of current portion	45,912	74,719
Equity investment in LLC	103,285	227,233
Total Long-Term Liabilities	1,878,333	301,952
 Total Liabilities	 2,396,525	 1,642,350
<b>NET ASSETS</b>		
Without donor restrictions	6,691,961	5,783,554
With donor restrictions	17,114	17,114
Total Net Assets	6,709,075	5,800,668
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 9,105,600	\$ 7,443,018

The accompanying notes are an integral part of these financial statements.

**INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE, GAINS, AND SUPPORT</b>			
Per pupil appropriations	\$ 8,445,132	\$ -	\$ 8,445,132
Per pupil facility allowance	1,751,712	-	1,751,712
Federal entitlements and grants	574,835	-	574,835
State and local grants	165,750	-	165,750
Other grants and contributions	39,701	-	39,701
Donated materials	8,080	-	8,080
Program service fees	2,896	-	2,896
Other income	13,600	-	13,600
Interest	23,826	-	23,826
Gain on equity investment	123,948	-	123,948
Total Revenue, Gains, and Support	<u>11,149,480</u>	<u>-</u>	<u>11,149,480</u>
<b>EXPENSES</b>			
Program Services: Educational services	8,796,956	-	8,796,956
Support Services:			
General and administrative services	1,305,345	-	1,305,345
Fundraising	138,772	-	138,772
Total Support Services	<u>1,444,117</u>	<u>-</u>	<u>1,444,117</u>
Total Expenses	<u>10,241,073</u>	<u>-</u>	<u>10,241,073</u>
<b>CHANGE IN NET ASSETS</b>	908,407	-	908,407
<b>NET ASSETS, beginning of year</b>	<u>5,783,554</u>	<u>17,114</u>	<u>5,800,668</u>
<b>NET ASSETS, end of year</b>	<u>\$ 6,691,961</u>	<u>\$ 17,114</u>	<u>\$ 6,709,075</u>

The accompanying notes are an integral part of these financial statements.

**INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE, LOSSES, AND SUPPORT</b>			
Per pupil appropriations	\$ 8,092,684	\$ -	\$ 8,092,684
Per pupil facility allowance	1,640,820	-	1,640,820
Federal entitlements and grants	923,099	-	923,099
State and local grants	7,022	-	7,022
Other grants and contributions	211,065	-	211,065
Donated services and materials	15,784	-	15,784
Program service fees	42,699	-	42,699
Other income	103,307	-	103,307
Interest	88,590	-	88,590
Loss on equity investment	(28,574)	-	(28,574)
Total Revenue, Losses, and Support	<u>11,096,496</u>	<u>-</u>	<u>11,096,496</u>
<b>EXPENSES</b>			
Program Services: Educational services	8,177,655	-	8,177,655
Support Services:			
General and administrative services	1,134,713	-	1,134,713
Fundraising	130,336	-	130,336
Total Support Services	<u>1,265,049</u>	<u>-</u>	<u>1,265,049</u>
Total Expenses	<u>9,442,704</u>	<u>-</u>	<u>9,442,704</u>
<b>CHANGE IN NET ASSETS</b>	1,653,792	-	1,653,792
<b>NET ASSETS, beginning of year</b>	<u>4,129,762</u>	<u>17,114</u>	<u>4,146,876</u>
<b>NET ASSETS, end of year</b>	<u>\$ 5,783,554</u>	<u>\$ 17,114</u>	<u>\$ 5,800,668</u>

The accompanying notes are an integral part of these financial statements.

**INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2021**

	Program - Educational Services	Support Services			Total
		General and Administrative Services	Fundraising	Total Support Services	
Personnel Costs					
Salaries	\$ 4,760,199	\$ 729,110	\$ 102,707	\$ 831,817	\$ 5,592,016
Employee benefits	496,324	76,021	10,709	86,730	583,054
Payroll taxes	386,082	59,136	8,330	67,466	453,548
Professional development	31,909	-	-	-	31,909
Other staff-related expense	42,436	3,825	539	4,364	46,800
Total Personnel Costs	<u>5,716,950</u>	<u>868,092</u>	<u>122,285</u>	<u>990,377</u>	<u>6,707,327</u>
Direct Student Costs					
Supplies, materials, snacks	70,554	-	-	-	70,554
Contracted instruction fees	627,648	-	-	-	627,648
Textbooks	24,899	-	-	-	24,899
Student food service program	98,057	-	-	-	98,057
Transportation	3,228	-	-	-	3,228
Other student costs	11,084	-	-	-	11,084
Total Direct Student Costs	<u>835,470</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>835,470</u>
Occupancy Expense					
Rent	1,664,126	87,586	-	87,586	1,751,712
Repairs and maintenance	12,122	638	-	638	12,760
Total Occupancy Expense	<u>1,676,248</u>	<u>88,224</u>	<u>-</u>	<u>88,224</u>	<u>1,764,472</u>
Office Expense					
Office supplies	5,310	813	115	928	6,238
COVID-19 protective supplies	188,795	28,918	4,073	32,991	221,786
Equipment rental	2,250	344	49	393	2,643
Telecommunication	14,586	2,234	315	2,549	17,135
Computer support	15,497	2,374	334	2,708	18,205
Printing and publications	6,245	956	135	1,091	7,336
Postage and shipping	1,604	245	35	280	1,884
Total Office Expense	<u>234,287</u>	<u>35,884</u>	<u>5,056</u>	<u>40,940</u>	<u>275,227</u>
General Expense					
Insurance	34,940	5,352	754	6,106	41,046
Accounting fee	-	151,911	-	151,911	151,911
Authorizer fees	-	98,516	-	98,516	98,516
Bad debt	-	1,466	-	1,466	1,466
Depreciation and amortization	187,055	28,652	4,036	32,688	219,743
Interest and loan amortization	8,310	1,273	179	1,452	9,762
Legal fees	17,890	-	-	-	17,890
Professional fees	77,146	11,816	1,665	13,481	90,627
Other expenses	-	553	-	553	553
Fees and licenses	8,660	13,606	-	13,606	22,266
Fundraising fees and event costs	-	-	4,797	4,797	4,797
Total General Expense	<u>334,001</u>	<u>313,145</u>	<u>11,431</u>	<u>324,576</u>	<u>658,577</u>
<b>TOTAL EXPENSES</b>	<u>\$ 8,796,956</u>	<u>\$ 1,305,345</u>	<u>\$ 138,772</u>	<u>\$ 1,444,117</u>	<u>\$ 10,241,073</u>

The accompanying notes are an integral part of these financial statements.



**INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2020**

	Program - Educational Services	Support Services			Total
		General and Administrative Services	Fundraising	Total Support Services	
Personnel Costs					
Salaries	\$ 4,770,597	\$ 646,304	\$ 100,613	\$ 746,917	\$ 5,517,514
Employee benefits	430,503	58,324	9,079	67,403	497,906
Payroll taxes	391,123	52,989	8,249	61,238	452,361
Professional development	38,924	-	-	-	38,924
Other staff-related expense	24,426	3,309	515	3,824	28,250
Total Personnel Costs	<u>5,655,573</u>	<u>760,926</u>	<u>118,456</u>	<u>879,382</u>	<u>6,534,955</u>
Direct Student Costs					
Supplies, materials, snacks	65,060	-	-	-	65,060
Contracted instruction fees	506,757	-	-	-	506,757
Textbooks	52,929	-	-	-	52,929
Student food service program	103,189	-	-	-	103,189
Transportation	19,948	-	-	-	19,948
Other student costs	9,527	-	-	-	9,527
Total Direct Student Costs	<u>757,410</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>757,410</u>
Occupancy Expense					
Rent	1,558,779	82,041	-	82,041	1,640,820
Repairs and maintenance	1,019	54	-	54	1,073
Facility consulting fee	-	2,888	-	2,888	2,888
Total Occupancy Expense	<u>1,559,798</u>	<u>84,983</u>	<u>-</u>	<u>84,983</u>	<u>1,644,781</u>
Office Expense					
Office supplies	34,142	4,623	720	5,343	39,485
Equipment rental	2,096	284	44	328	2,424
Telecommunication	12,790	1,733	270	2,003	14,793
Computer support	22,839	3,093	482	3,575	26,414
Printing and publications	8,699	1,179	183	1,362	10,061
Postage and shipping	1,301	177	27	204	1,505
Total Office Expense	<u>81,867</u>	<u>11,089</u>	<u>1,726</u>	<u>12,815</u>	<u>94,682</u>
General Expense					
Insurance	29,083	3,941	613	4,554	33,637
Accounting fee	-	147,984	-	147,984	147,984
Authorizer fees	-	95,433	-	95,433	95,433
Bad debt	28	-	-	-	28
Depreciation and amortization	54,946	7,443	1,159	8,602	63,548
Interest	2,419	327	51	378	2,797
Legal fees	12,005	4,400	-	4,400	16,405
Professional fees	15,937	2,160	336	2,496	18,433
Other expenses	-	426	-	426	426
Fees and licenses	8,589	8,776	-	8,776	17,365
Donated legal services	-	6,825	-	6,825	6,825
Fundraising fees and event costs	-	-	7,995	7,995	7,995
	<u>123,007</u>	<u>277,715</u>	<u>10,154</u>	<u>287,869</u>	<u>410,876</u>
<b>TOTAL EXPENSES</b>	<u>\$ 8,177,655</u>	<u>\$ 1,134,713</u>	<u>\$ 130,336</u>	<u>\$ 1,265,049</u>	<u>\$ 9,442,704</u>

The accompanying notes are an integral part of these financial statements.

**INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 908,407	\$ 1,653,792
Adjustments to reconcile change in net assets to net cash (used for) provided by operating activities:		
(Gain) loss on equity investment	(123,948)	28,574
Depreciation and amortization	219,743	63,548
Amortization of financing fees	1,098	-
Bad debt expense	1,466	28
(Increase) decrease in assets:		
Grants receivable	(434,100)	(30,521)
Accounts receivable	116,091	(73,258)
Prepaid expenses	(13,773)	(11,557)
Increase (decrease) in liabilities:		
Accounts payable	(856,697)	795,894
Accrued salaries and expenses	43,337	49,895
Accrued interest	4,181	-
Deferred revenue	(14,430)	14,430
Net Cash (Used for) Provided by Operating Activities	(148,625)	2,490,825
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(700,392)	(1,499,529)
Net Cash Used for Investing Activities	(700,392)	(1,499,529)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from note payable	1,750,000	-
Payments of financing fees	(21,962)	-
Capital lease obligation payments	(27,404)	(54,073)
Net Cash Provided by (Used for) Financing Activities	1,700,634	(54,073)
<b>NET INCREASE IN CASH</b>	851,617	937,223
<b>CASH, beginning of year</b>	5,518,314	4,581,091
<b>CASH, end of year</b>	\$ 6,369,931	\$ 5,518,314
<b>SUPPLEMENTARY INFORMATION</b>		
Cash paid for interest	\$ 9,762	\$ 2,797

The accompanying notes are an integral part of these financial statements.

**INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE A – ORGANIZATION AND NATURE OF BUSINESS**

Inspired Teaching Demonstration Public Charter School (the “School”), a District of Columbia not-for-profit organization, was incorporated on January 27, 2010, exclusively for educational purposes. During June 2011, the School entered into a 15-year Charter School Agreement with the District of Columbia Public Charter School Board. The School serves students from pre-kindergarten through 8<sup>th</sup> grade.

At the School, a professional learning community of master teachers and teacher residents ensure that a diverse group of students achieve their potential as accomplished learners, thoughtful citizens, and imaginative and inquisitive problem solvers through a demanding, inquiry-based curriculum. The defining characteristic of the School is a professional learning community focused on a progressive, constructivist approach to teaching and learning based on the research on how the brain works and how children learn. The School is organized to meet two related, mutually reinforcing primary goals: to provide an excellent education for students, and to provide excellent teacher preparation and professional development for new teachers and teacher leaders. The School is a leader in improving the way teachers are trained and students are educated in DC and beyond. The School invites and receives visitors from around the globe to observe its teaching skills and techniques. Annually, the School welcomes dozens of visitors from the DC education community, as well as those influential in education policy nationwide.

Dominant methods of instruction include inquiry-based methods and active learning approaches, where the teacher serves as facilitator and coach to support student learning. Instruction includes an emphasis on social-emotional learning, and classrooms are characterized by student-centered organizational styles such as differentiated instruction, collaborative groups, and child-initiated play. The standards-based curriculum and student goals are centered on the four I’s: intellect, inquiry, imagination, and integrity.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The School’s financial statements are prepared on the accrual basis of accounting. Therefore, revenue and related assets are recognized when earned and expenses and related liabilities are recognized as the obligations are incurred.

Financial Statement Presentation

Financial statement presentation follows Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 958, *Not for Profit Entities*. In accordance with Topic 958, net assets, revenue, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the School and changes therein are classified and reported as follows:

**INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**  
(continued)

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Financial Statement Presentation – continued

*Net Assets without Donor Restrictions* - Net assets that are not subject to donor-imposed stipulations.

*Net Assets with Donor Restrictions* - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the School and/or the passage of time or that must be maintained in perpetuity by the School. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions. As of June 30, 2021 and 2020, donor restricted net assets totaled \$17,114 for both years and this amount was restricted for purchase of furniture for the Life Skills classroom.

Cash

For the purposes of the statements of cash flows, the School considers non-interest bearing demand deposits to be cash.

Grants and Accounts Receivable

The School's grants receivable consists of unsecured amounts due from public funding sources whose ability to pay are subject to appropriations. The School performs ongoing credit evaluations of its funding sources and generally does not require collateral. Due to the nature of funding from the federal government and the District of Columbia, management believes that all grants receivable are collectible within one year or less; therefore, no allowance for bad debt has been recorded.

Accounts receivable pertain to program service fees and are recognized as revenue on the accrual basis of accounting at the time the program activity has occurred. Credit is extended for a period of 60 days with no interest accrual at which time payment is considered delinquent. Accounts receivables are written off as uncollectible when payment has not been received after 180 days.

Equity Investment

The School owns a 38% equity interest in Shaed School, LLC (the "LLC"). Shaed School, LLC, is a limited liability company formed in the District of Columbia during May 2014 for the purpose of providing leasing arrangements for the School's facility. Interest in the LLC is recorded under the equity method of accounting.

**INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**  
(continued)

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. The School capitalizes all expenditures for property and equipment over \$1,000. Depreciation and amortization is computed, using the straight-line method, over the estimated useful lives of the assets, which ranges from three to seven years. When assets are sold or otherwise disposed of, the asset and related accumulated depreciation and amortization are removed from the accounts, and any remaining gains or losses are included in operations. Repairs and maintenance are charged to expense when incurred. Leasehold improvements are amortized over the lesser of the remaining lease term or useful life of the assets.

Revenue Recognition

*Grants and Contributions*

The School recognize grants and contributions when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Contributions received with donor stipulations are recorded as contributions with donor restrictions based on the donor's intent. Unless otherwise stated by the donor, individual donations are recorded as contributions without donor restrictions. Contributions with donor restrictions that are met in the same reporting period as the contribution is received are reported as contributions without donor restrictions support.

*Per Pupil Appropriations, Per Pupil Facility Allowance, Federal Entitlements and Grants, and State and Local Grants*

Revenues are received primarily from state and federal government agencies, including the District of Columbia Office of the State Superintendent of Education, District of Columbia Public Charter School Board, the U.S. Department of Education, and other agencies. These revenues are considered conditional grants with a measurable performance or other barrier and a right of return, and are not recognized until the conditions on which they depend have been substantially met. These grants are also subject to audit by the grantor agencies, which could result in a request for reimbursement by the agency for expenditures disallowed under the terms and conditions of the appropriate grantor. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statements of financial position.

Per pupil appropriation revenue includes \$2,017,208 and \$1,853,441 for enhancements, such as special education, at-risk students and English language learners, for the years ended June 30, 2021 and 2020, respectively.

**INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**  
(continued)

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Revenue Recognition - continued

*Per Pupil Appropriations, Per Pupil Facility Allowance, Federal Entitlements and Grants, and State and Local Grants (continued)*

As of June 30, 2021, the School received conditional promises to give in the amount of \$528,172 that are expected to be fulfilled by the fiscal year ending June 30, 2024.

*Program Service Fees*

Program service fees are revenue primarily derived from before and after-care programs, paid meal plans, and various student activities (e.g., fieldtrips, intramural sports, special events, etc.), which is recognized when the services are provided.

Donated Services and Materials

Donated services and materials are recognized at fair value at the date of the donation. Contributions of services are recognized if the services received create or enhance non-financial assets or require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services and promises to give services that do not meet the above criteria are not recognized. The School received \$8,080 of donated goods for the year ended June 30, 2021. The School received \$6,825 of donated legal services and \$8,959 of donated goods for the year ended June 30, 2020.

Uses of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions. These estimates affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Method Used for Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to program or a support function such as general and administrative or fundraising activities. Expenses of this nature are allocated on a reasonable basis that is consistently applied. Allocated expenses include depreciation and amortization, office expense and occupancy costs, which are allocated on the basis of salaries and related costs, determined by the amount of time and effort expended.

**INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**  
(continued)

**NOTE C – INCOME TAXES**

The School is exempt from federal income taxes on related income under Section 501(c)(3) of the Internal Revenue Code. In addition, the School is classified as an entity that is not a private foundation under Section 509(a)(1).

The School believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements or that would have an effect on its tax-exempt status. There are no unrecognized tax benefits or liabilities that need to be recorded.

The School’s information tax returns are subject to examination by the Internal Revenue Service for a period of three years from the date they were filed, except under certain circumstances. The School’s Form 990 returns for the years ended June 30, 2018 through 2020 are open for examination by the Internal Revenue Service, although no request has been made as of the date of these financial statements.

Shaed School, LLC is a District of Columbia limited liability company which elected to be treated as a partnership for income tax reporting purposes and, therefore, is not subject to federal income tax.

**NOTE D – AVAILABLE RESOURCES AND LIQUIDITY**

The School regularly monitors liquidity required to meet its operating needs and other commitments, while also striving to prudently invest available funds. The School’s sources of liquidity at its disposal include cash and grants and accounts receivable.

In addition to financial assets available to meet general expenditures over the next 12 months, the School anticipates collecting sufficient revenue to cover general expenditures. The following reflects the School’s financial assets as of June 30:

	2021	2020
Cash	\$ 6,369,931	\$ 5,518,314
Grants receivable	487,128	53,028
Accounts receivable	10,922	128,479
Total Financial Assets	6,867,981	5,699,821
Encumbered net assets with donor restrictions for the next 12 months	(17,114)	(17,114)
Total Financial Assets Available to meet Cash Needs for General Expenditures Within One Year	\$ 6,850,867	\$ 5,682,707

**INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**  
(continued)

**NOTE E – PROPERTY AND EQUIPMENT**

The following is a summary of property and equipment as of June 30:

	2021	2020
Furniture and equipment	\$ 168,460	\$ 168,460
Computers	215,907	156,208
Website	4,500	4,500
Leased equipment	155,966	155,966
Leasehold improvements	2,223,267	142,387
Construction in progress	-	1,440,189
	2,768,100	2,067,710
Less accumulated depreciation and amortization	(609,204)	(389,463)
Property and Equipment, Net	\$ 2,158,896	\$ 1,678,247

Depreciation and amortization expense for the years ended June 30, 2021 and 2020 totaled \$219,743 and \$63,548, respectively. Accumulated depreciation includes accumulated amortization of capital leased equipment in the amount of \$84,731 and \$55,023 as of June 30, 2021 and 2020, respectively. Amortization expense related to capital leased equipment totaled \$29,708 and \$4,473 for the years ended June 30, 2021 and 2020, respectively.

**NOTE F – NOTE PAYABLE**

The School entered into a loan agreement on April 6, 2021 with the District of Columbia Office of the State Superintendent of Education (“OSSE”). The loan was for an original amount of \$1,750,000 and was used to fund renovations of the School. The loan bears interest at 1% per annum, and is collateralized by the cash balances of the School. Payments of interest only are due in quarterly installments until July 1, 2023, at which time payments of principal and interest are due in quarterly installments until maturity on April 6, 2026. As of June 30, 2021, the outstanding principal balance of the loan is \$1,750,000.

Estimated loan payments over the next five years for the years ending June 30, are as follows:

2022	\$ -
2023	-
2024	577,517
2025	583,314
2026	589,169
	\$ 1,750,000



**INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**  
(continued)

**NOTE F – NOTE PAYABLE – continued**

Debt issuance costs and accumulated amortization are as follows as of June 30, 2021:

	2021
Debt issuance costs	\$ 21,962
Less accumulated amortization	(1,098)
Debt Issuance Costs, Net	\$ 20,864

**NOTE G – LEASE COMMITMENTS**

On May 21, 2014, the School entered into a Sublease Agreement (the “Sublease”) with Shaed School, LLC to occupy a portion of the property in accordance with a separate Ground Lease Agreement between the District of Columbia and the LLC dated May 21, 2014 (the “Prime Lease”). Therefore, in accordance with the Sublease, the LLC has agreed to sublet to the School approximately 67,200 square feet of space located at 200 Douglas Street NE, Washington, DC 20002. The original term of the Sublease is five years, and the School has the right to extend the Sublease for up to three additional terms of five years each if it meets certain obligations under the Sublease.

The Sublease is subject and subordinate to the terms of the Prime Lease. In accordance with the original Sublease, the School agreed to pay the LLC annual rent, in an amount equal to the number of students enrolled multiplied by the per pupil facilities allowance received by the School from the District of Columbia for each such pupil. The rent is payable in advance in equal quarterly installments on August 1, November 1, February 1, and May 1.

The Sublease was amended on June 4, 2019. Under the term of this amendment, the original Sublease term was extended to be co-terminus with the Prime Lease. The Prime Lease and the Sublease expire on May 21, 2034. In addition, the School agreed to pay the LLC for any debt service and incremental operating expenses incurred by the LLC that are related to a renovation project at the School premises. Furthermore, the LLC acknowledged that any increase in enrollment at the School above its scheduled enrollment is not considered when calculating rent owed under the Sublease.

**INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**  
(continued)

**NOTE G – LEASE COMMITMENTS**

The Sublease was amended on September 23, 2019. Under the terms of this amendment, the School agreed to pay the LLC for any construction contract invoices and debt service incurred by the LLC that are related to a renovation project at the School premises.

The School cannot reasonably estimate its future minimum lease liability over the term of the lease. However, assuming stable enrollment and facilities allowance, rent should approximate the current year expense until such time as the improvements are made and the additional space is occupied. Rent expense for this facility for years ended June 30, 2021, and 2020, totaled \$1,751,712 and \$1,640,820, respectively.

The School also leases certain equipment. The equipment leases were signed in September 2017 and April 2019, and expire in November 2022 and June 2024, respectively.

Future minimum lease payments under the equipment leases are as follows for the years ending June 30:

	2022	\$	28,806
	2023		24,460
	2024		21,452
Total Future Minimum Lease Payments		\$	74,718

**NOTE H – EQUITY INVESTMENT IN LIMITED LIABILITY COMPANY**

As of May 2014, the School is a member of and has a 38% interest in Shaed School, LLC (the “LLC”). The purpose of Shaed School, LLC is to hold, renovate, remodel, rent, operate, manage, maintain, improve, repair, sell finance and refinance the property at 200 Douglas Street, NE, Washington, DC, where the School operates. At the formation of the LLC, on May 15, 2014, the School made an initial capital contribution of \$375,152. The School uses the equity method to account for its investment. As of June 30, 2021 and 2020, the balance of the School’s investment in the LLC was a liability of \$103,285 and \$227,233, respectively, and is included in equity investment in LLC in the accompanying statements of financial position.

Charter School Incubator Initiative (“CSII”), a related party, is a member of and has a 62% interest in the LLC. The books and records of the LLC were audited as part of CSII’s consolidated financial statements as of and for the years ended June 30, 2021 and 2020.

**INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**  
(continued)

**NOTE H – EQUITY INVESTMENT IN LIMITED LIABILITY COMPANY**

The following is the summarized audited financial information for Shaed School, LLC as of and for the years ended June 30, 2021 and 2020:

	2021	2020
<b>BALANCE SHEET</b>		
<b>ASSETS</b>		
Cash	\$ 1,331,861	\$ 758,854
Property and equipment, net	10,655,673	10,741,078
Other assets	-	877,348
Total Assets	11,987,534	12,377,280
<b>LIABILITIES AND PARTNERS' CAPITAL</b>		
Accounts payable, accruals and other liabilities	1,981,447	2,277,949
Intercompany payable	512,611	512,611
Notes payable	9,761,960	10,177,396
Total Liabilities	12,256,018	12,967,956
Members' Deficit	(268,484)	(590,676)
Total Liabilities and Members' Deficit	\$ 11,987,534	\$ 12,377,280
<b>INCOME STATEMENT</b>		
<b>REVENUE</b>		
Rental income	\$ 1,751,712	\$ 1,680,349
Other revenue	144,538	-
Total Revenue	1,896,250	1,680,349
<b>EXPENSES</b>		
Site specific expenses	1,574,058	1,755,222
<b>NET INCOME (LOSS)</b>	322,192	(74,873)
<b>MEMBERS' DEFICIT</b> , beginning of year	(590,676)	(515,803)
<b>MEMBERS' DEFICIT</b> , end of year	\$ (268,484)	\$ (590,676)
<b>SCHOOL'S SHARE</b> , 38% of members' deficit, end of year	\$ (103,285)	\$ (227,233)

**INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**  
(continued)

**NOTE I – COMMITMENTS AND CONTINGENCIES**

On June 4, 2019, the School entered into a guaranty and suretyship agreement (“Guaranty”) to induce PNC Bank (the “Beneficiary”) to make a loan to the LLC. This Guaranty relates to a loan from the Beneficiary to the LLC for \$10,302,414 with a term of June 4, 2019 through June 4, 2021. The proceeds of the loan are for improvements to the facility from which the School operates. Under the terms of the Guaranty, the School unconditionally guarantees to the Beneficiary the obligations of the LLC with respect to the payment of principal, interest and fees, related to the loan. However, the School shall have no duty to pay or perform the guaranteed obligations unless the Borrower first defaults on the payments and/or performance of its obligations under the related loan agreement. In June 2020, the Guaranty was extended to December 1, 2021. In September 2021, the Guaranty was extended to December 1, 2022.

**NOTE J – PENSION PLAN**

The Inspired Teaching School 403(b) Retirement Plan, (the “Plan”), was established for all eligible employees. Eligible employees can become participants on the first day of the month following the completion of eligibility requirements but are not eligible for the employer match until they have completed one year of employment and are 21 years of age or older. Employees may make elective deferral contributions from their eligible earnings, up to the maximum amount allowed by the Internal Revenue Service. Matching contributions made by the School are discretionary. For the years ended June 30, 2021 and 2020, pension expense totaled \$91,208 and \$76,262.

**NOTE K – CONCENTRATIONS**

The School is dependent on funding from the District of Columbia as authorized by the District of Columbia Public Charter School Board. For each of the years ended June 30, 2021 and 2020, approximately 97% and 96%, respectively, of total revenue was provided from the District of Columbia. Reduction of this source of support would have a significant impact on the School’s programs and activities.

The School’s cash accounts are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000 per financial institution. As of June 30, 2021 and 2020, the School had cash balances that exceeded FDIC-insured limits by approximately \$6,060,000 and \$5,218,000, respectively. Management has evaluated the financial institutions and does not believe it is exposed to any significant credit risk.

**NOTE L – SUBSEQUENT EVENTS**

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through November 29, 2021, the date the School’s financial statements were available to be issued. Except for the guaranty extension as noted in Note I, there were no other events or transactions that required further recognition or disclosure.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors  
Inspired Teaching Demonstration Public Charter School  
Washington, DC

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Inspired Teaching Demonstration Public Charter School, (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows, for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 29, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Inspired Teaching Demonstration Public Charter School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Inspired Teaching Demonstration Public Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Inspired Teaching Demonstration Public Charter School's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Inspired Teaching Demonstration Public Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Washington, DC  
November 29, 2021

**SUPPLEMENTARY SCHEDULE REQUIRED BY DCPCSB**

**INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL  
SUPPLEMENTARY SCHEDULE OF VENDOR CONTRACTS AWARDED EQUAL TO AND/OR OVER \$25,000  
UNAUDITED  
FOR THE YEAR ENDED JUNE 30, 2021**

<u>Award Date</u>	<u>Effective Date</u>	<u>Vendor Name</u>	<u>Goods or Services</u>	<u>Contractual Amount</u>	<u>Actual Amount Spent During FYE 6/30/2021</u>	<u>Conflict of Interest (Indicate "Yes" or "No")</u>
6/24/2020	7/1/2020	EdOps	Financial services	\$ 98,220	\$ 98,220	NO
7/1/2020	7/1/2020	Staples	Computer equipment & student/office supplies	74,552	74,552	NO
7/24/2020	8/1/2020	The Hanover Insurance Group, Inc.	Business insurance	37,552	28,840	NO
7/28/2020	8/26/2020	Educational Solutions, LLC	Home tutoring; ELL services	108,066	108,066	NO
7/28/2020	8/26/2020	Acumen Behavioral Consulting	Special education assessments	53,000	53,000	NO
7/28/2020	8/26/2020	Early Autism Solutions	ABA therapy	40,310	40,310	NO
7/28/2020	8/26/2020	Paradigm Therapy Partners LLC	Occupational and physical therapy; speech therapy	238,079	238,079	NO
8/12/2020	9/1/2020	CareFirst	Health care coverage	587,690	587,690	NO
9/15/2020	7/1/2020	Revolution Foods	Food service	91,527	91,527	NO
9/23/2020	10/7/2020	Isaacson Miller	Head of School search	60,000	71,030	NO
9/23/2020	7/1/2020	Urban Teachers	Teaching residents	122,000	122,000	NO
1/8/2021	1/28/2021	YMCA of Metropolitan Washington	Staffing for learning hub classrooms	139,141	139,141	NO
6/24/2021	7/1/2021	EdOps	Financial services	102,120	N/A	NO
Ongoing	Ongoing	Shaed School LLC	Landlord	N/A	1,751,712	NO
Ongoing	Ongoing	Shaed School LLC	Construction invoices	N/A	635,890	NO
Ongoing	Ongoing	Alignstaffing	Contracted substitutes	N/A	31,086	NO

NOTE: The above schedule includes all vendors/contractors for which either a formal contract was entered into, executed or negotiated, whether or not services were provided during the fiscal year ended June 30, 2021.